

Message Text

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ACTION ABF-01

INFO OCT-01 EUR-12 IO-13 ISO-00 EB-08 TRSE-00 COME-00
/035 W

-----076455 020212Z /70

R 011623Z MAR 78
FM AMEMBASSY BERLIN
TO SECSTATE WASHDC 6827
INFO USDOC WASHDC
AMEMBASSY WARSAW
AMEMBASSY BRUSSELS
AMCONSUL FRANKFURT
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
USMISSION USNATO

C O N F I D E N T I A L BERLIN 01485

USDOC FOR BEWT

BRUSSELS ALSO FOR USEEC

PARIS ALSO FOR USOECD

E.O. 11652: GDS
TAGS: AGAO, AFIN, GE
SUBJECT: GAO STUDY OF EAST EUROPEAN/USSR DEBT

REF: STATE 50502 (NOTAL)

1. RESPONDING TO A TELEPHONE REQUEST FROM GAO EUROPEAN
BRANCH OFFICE IN FRANKFURT, EMBASSY RECEIVED LEO L.
LAMOTTE AND JOSEPH E. GLOYSTEIN OF THAT OFFICE IN
EAST BERLIN ON FEB. 27. LAMOTTE AND GLOYSTEIN HAD
PREVIOUSLY DESCRIBED PURPOSE OF THEIR VISIT AS GATHERING
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INFORMATION FOR A STUDY GAO IS DOING ON U.S. COMMERCIAL
BANK LENDING TO LDC'S AND EASTERN EUROPE.

2. LAMOTTE AND GLOYSTEIN SPENT MOST OF ONE DAY IN
EAST BERLIN. THEY MET WITH AMBASSADOR, WITH CHIEF,
ECONOMIC/COMMERCIAL SECTION, AND ACCOMPANIED BY LATTER,
CALLED ON DEUTSCHE AUSSENHANDELSBANK (AG), WHERE THEY

WERE RECEIVED BY DEPUTY DIRECTOR GENERAL GOTTFRIED
OEHME, GENERAL COUNSEL HERBERT BRANDT, AND U.S.
DESK OFFICER SIGRID RICHTER.

3. IN CONVERSATIONS AT EMBASSY, LAMOTTE AND GLOYSTEIN
SAID INTEREST AND CONCERN ABOUT EE DEBT IS GROWING
IN THE CONGRESS. GAO HOPES TO PRODUCE A STUDY WHICH
WILL SERVE AS AN OBJECTIVE BASIS ON WHICH DECISIONS
CAN BE MADE BY THE CONGRESS AS TO WHAT, IF ANY,
REGULATION THE SITUATION MAY REQUIRE. EMBOFF BRIEFED
FAIRLY EXTENSIVELY ON GDR'S CURRENT SITUATION, AND GAO
REPS SEEMED INTERESTED IN EMBOFF'S VIEW THAT GDR IS
EXERCISING RESTRAINT ON DEBT FORMATION AS
EVIDENCED BY APPARENT HARD CURRENCY IMPORT CUTS IN 1977.
FOREIGN TRADE BANK RECEIVED GAO REPS COURTEOUSLY, BUT
DECLINED TO PROVIDE ANY CONCRETE DATA ON TRADE AND
PAYMENTS. ONE THEME IN GAO QUESTIONS WAS WHETHER 10
PERCENT LENDING LIMIT AFFECTS BANKS LENDING TO EE,
I.E. WHETHER LIMIT IS REACHED. THEY WERE APPARENTLY
UNAWARE OF JOHNSON ACT AND THE INCENTIVE IT PROVIDES
FOR U.S. BANKS TO PREFER EUROMARKET SOURCING FOR
LENDING TO EE; AND SEEMED TO BE COMING TO VIEW THAT
BANKS HAVE A RANGE OF TOOLS AT THEIR DISPOSAL TO AVOID
DIRECT U.S. CONTROL OVER THEIR ACTIVITIES.

4. GAO PLANS FURTHER INTERVIEWS WITH BANKERS AND
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OFFICIALS AT BANK OF ENGLAND AND THE BANK FUER
INTERNATIONALE ZAHLUNGS AUSGLEICH IN BASEL. LAMOTTE
SAID TENTATIVE CONSIDERATION WAS BEING GIVEN TO A
VISIT TO WARSAW, AND POSSIBLY TO MOSCOW.

5. REFTTEL RECEIVED AFTER GAO TEAM'S DEPARTURE.
BOLEN

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 01 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BERLIN01485
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780094-0935
Format: TEL
From: BERLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803121/aaaadzaf.tel
Line Count: 101
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ac595ebb-c288-dd11-92da-001cc4696bcc
Office: ACTION ABF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 50502
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3161992
Secure: OPEN
Status: NATIVE
Subject: GAO STUDY OF EAST EUROPEAN/USSR DEBT
TAGS: AGAO, AFIN, GC
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/ac595ebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014